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PHILIPPINE GOLD PLC

Report and Financial Statements

31 December 1999

REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

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P G Cordin
G J Davis
K P Judge

COMPANY SECRETARY

P M Enoch

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DIRECTORS' STATEMENT

The past year has been exceedingly difficult. It has been a period in which the price of gold fell to a 20 year low and the sector as a whole struggled to attract support on global equity markets. Factors extraneous to the gold sector, such as the demand for technology and internet stocks, have also impacted on the relative attractiveness of gold stocks. During this time the gold price has experienced periods of considerable volatility with the price going well above US$300 per ounce. Despite stabilising below the psychological barrier of US$300 and the market "overhang" created by the continued central bank selling the outlook for the price of gold and the industry as a whole is becoming more favourable.

As described in the Review of Operations these market conditions have severely restricted the Company's ability to raise the fresh equity necessary to restore financial integrity to its balance sheet. It has not been external factors alone that have influenced the direction of the Company over the past year. A continued reliance upon debt funding has seen the Company's total indebtedness grow to over £8.8 million at year end. This in itself has presented a major obstacle in securing fresh capital. The reliance on debt funding has often meant that only critical expenditures could be satisfied.

As described in last year's annual report a number of initiatives were undertaken, directed towards improving the Company's financial condition and ensuring a cost structure appropriate to both its present circumstances and to position the Company for the planned development of the Masbate Gold Project. Staffing numbers have been reduced as far as possible. These cost reductions and others, together with asset sales and the ongoing support of both the secured and unsecured creditors has enabled the Company to operate through these challenging times. In this respect the directors would particularly like to acknowledge the support provided by its principal lenders, firstly by Golden Valley Mines NL and since October (following the assignment of the loan) Thistle Mining Inc. ("Thistle").

As a result of the continued support of the principal creditors we are pleased to report that restructuring proposals involving a merger with Thistle and a substantial equity fundraising will shortly be put to shareholders for approval. The proposal to merge, by way of scheme of arrangement (refer to the Review of Operations), with Thistle has been a decision not taken lightly by the board. It is however one that the board considers will, upon conclusion, provide a greater likelihood of seeing the successful development of the Masbate Gold Project, given the present high level of the Company's indebtedness it is unlikely to be able to attract sufficient capital to both retire debt and provide sufficient working capital to proceed with the development of the Masbate Gold Project on a "stand alone" basis.

In the absence of the restructuring proposals there is significant doubt surrounding the Company's ability to continue as a going concern.

– Secretary

For and on behalf of

The Board of Directors
Philippine Gold PLC

CORPORATE OVERVIEW

INTRODUCTION

Notwithstanding a depressed gold price, the Board remains focussed and committed towards the development and mining of the Masbate Gold Project. As described in last year's annual report, published in June 1999, and highlighted within the review of operations the Company experienced a number of significant changes during the year ended 31 December 1999. As many of the events were dealt with in detail in last year's report they will be only described in summary form herein.

Corporate and Financial Overview

There were significant changes to the composition of the board of directors during 1999.

- At an Extraordinary General Meeting held on 12 February 1999, shareholders voted to:
  - remove Messrs James Keogh (then Chief Executive Officer) and John Horan (Chairman) as Directors of the Company.
  - appoint Messrs Warren Beckwith, Kenneth Judge, Simon Holmes and Peter Cordin as Directors of the Company.
- Mr Geoffrey Davis was appointed a Director of the Board on 5 March 1999.
- On 14 April 1999, Mr Alan Phillips resigned as a director and was followed soon after on 30 April 1999 by Messrs Frank Lubbock and Martin Buckingham.
- Messrs Beckwith and Holmes tendered their resignations as directors on 8 October 1999.
- The present board comprises Messrs Judge, Cordin and Davis.

In February 1999, immediately following the Extraordinary General Meeting referred to above, N M Rothschild (Australia) Limited ("*NMR*") served a notice of default upon the Company for the failure to issue warrants and demanded repayment of all amounts owing under a US$6 million convertible loan facility.

In March 1999 pursuant to a Deed of Settlement in respect of the convertible loan facility, Golden Valley Mines NL ("*GVM*"), a major shareholder in the Company, discharged the amount owing under the facility (as reduced by the proceeds from closing out the Company's gold hedging facility) and was appointed the replacement lender, successor agent and security trustee, thereby assuming all the rights and duties of the original lenders under the facility and security documents. Following execution of the Settlement Deed, the Company entered into an Amended and Restated Loan Facility Agreement ("*ARLFA*") with GVM which varied certain terms of the original convertible loan facility and set out the terms of an A$7.5 million short term finance facility, repayable by 30 June 1999.

Unfortunately the continued decline in the spot price of gold, to a 20 year low in May 1999, severely hampered the Company's ability to attract fresh equity and as a consequence it continued to rely upon debt funding being provided by GVM for its ongoing working capital requirements. By October 1999 a total of A$9.6 million (approximately £3.84 million) had been provided pursuant to the terms of the GVM facility.

On 27 October 1999 the Company announced that GVM had assigned its interest in the finance facility to Thistle Mining Inc ("*Thistle*"), a mining investment company listed on the Toronto Stock Exchange, Canada. At the same time the Company and Thistle entered into a deed to amend certain terms of the ARLFA. The principal changes were the extension of the repayment date to 31 December 1999 (or such later date as the parties may agree in writing) and Thistle's agreement to increase the facility limit to A$10.4 million, thereby providing an additional US$0.5 million in interim funding. In consideration of the amendments to the facility the Company granted to Thistle the right to convert the outstanding balance of the loan facility into new shares in the Company at a cost of 5 pence per share.

In December 1999 shareholders in a general meeting approved a series of resolutions to provide authority to the directors to issue shares to Thistle upon any subsequent conversion of the Company's current indebtedness and in order to raise fresh equity. To the date of this report no shares have been issued in relation to these approvals.

CORPORATE OVERVIEW

Corporate and Financial Overview (Continued)

There have however been a total of 5,499,034 new shares issued since the end of the financial year as a consequence of the conversion of unsecured loan notes in accordance with the loan note instrument dated August 1995 (refer to the Directors' Report and the Financial Statements).

Securing ongoing funding has been and remains the primary objective of the board. Funding is required to retire both secured and unsecured debt (unless converted to equity), settle the amounts owing to the former Atlas Masbate employees and creditors and to provide working capital for the completion of the bankable feasibility study on the Masbate Gold Project.

With this objective in mind the directors have reached in principle agreement for the Company to merge, by way of scheme of arrangement, with Thistle. Details of the merger were announced on 9 March 2000 and include provision for a placement of C$10 million to satisfy the funding imperative. Under the terms of the proposal *shareholders in Philippine Gold PLC ("PGO") will receive one Thistle share for every one and one half shares held* in PGO. Documentation is being prepared for the Court to approve the scheme prior to seeking shareholder approval to proceed. It is expected that a general meeting to approve the scheme will be convened for July 2000.

Administration

As described above the Company has been extremely constrained in terms of available working capital. As a consequence the Board was forced to review all previous corporate and administrative functions with a view to *implementing changes directed towards achieving significant cost reductions.*

The company has to date successfully reduced the overhead cost structure by adopting the following actions:

- terminating the remaining full time expatriate staff
- implementing a Company wide retrenchment programme
- reducing Manila office space
- disposal of surplus equipment
- reviewing all exploration and mining joint ventures and projects with a view to either minimising or eliminating project expenditures.

The operations in the Philippines are currently being managed by senior technical and corporate personnel from Australia.

REVIEW OF OPERATIONS

THE MASBATE PROJECT

Introduction and Background

The Masbate Gold Project is a major gold resource located on the northeast coast of Masbate Island, approximately 350 kilometres southeast of Manila. The project is the Company's key asset (Figure 1).

The property and associated infrastructure were acquired from Atlas Consolidated Mining and Development Corporation ("*Atlas*") in 1996. Atlas operated the mine from 1979 to 1994 at a production rate averaging approximately 80,000 ounces of gold per annum. The existing mine infrastructure consists of a number of open pits and underground mines, power station, water supply reservoir and accommodation and community facilities.

The Company is proposing to finalise a bankable feasibility study during 2000, commencing after the completion of the fund raising.

Permits and Registrations

The Company has successfully obtained the main permits and registrations to commence a commercial mining operation as described below. Other routine operating licences will be obtained once the feasibility study is completed.

The Company's Filipino subsidiary, Filminera Resources Corporation ("*Filminera*") (formerly Base Metals Mineral Corporation) has been issued with Environmental Compliance Certificate 9804-003-120C (ECC) permitting Filminera to operate an open pit with a production capacity of 20,000 tonnes per day and to utilize a carbon in leach processing plant. Production is required to commence by 29 June 2003. Filminera has also obtained from the Department of Agrarian Reform conversion of 270 hectares of agricultural land to industrial use for tailings disposal.

The Company's subsidiary, Phil. Gold Processing and Refining Corporation has obtained registration from the Board of Investments as New Export Producer of Gold Bullion on a Non-Pioneer status. Application will be made to extend the registration beyond the current end date of October 2000.

Geology, Exploration and Resources

The Masbate claim area covers 11,180.5 hectares largely located between the Pinanaan and Malubi Faults, subsidiary structures to the major Philippines Fault. The proposed mine area is contained in granted Mining and Production Sharing Agreement (MPSA) Number 95 with an area of 289.9 hectares. The balance of the area is held under applications for additional MPSAs. The project is centred on a five kilometre wide northwest oriented mineralized volcanic block bound by two faults. The deposits are hosted by a fractured andesitic to dacitic tuffaceous agglomerate. Epithermal gold and silver mineralisation occurs within quartz and calcite veins, breccias, stockworks and altered volcanic wall-rocks.

A program of 31,719 metres of reverse circulation (RC) and diamond drilling was completed during 1997. This drilling focused on the known mineralisation at Main Vein, Colorado, Grand View, Holy Moses-Basalt, Libra and Montana (Figure 2). An infill drilling program of 3,433 metres was conducted in 1998 to upgrade inferred pit resources to reserve status in compliance with Joint Ore Reserves Committee (JORC) definitions. Using a cut-off grade of 0.7 g/t for gold grades, block modelling resulted in a kriged resource of 71.34 million tonnes at 1.35 g/t gold.

REVIEW OF OPERATIONS

Exploration and Resources (Continued)

TABLE 1
Masbate Resources and Reserves

	Tonnes (t)	Grade (g/t gold)	Ounces Gold
RESOURCES (>0.7g/t gold): Measured, Indicated and Inferred			
Main Vein – Libra	39,669,000	1.37	1,743,000
Colorado / Grandview	21,494,000	1.29	892,000
Basalt – Holy Moses	9,138,000	1.35	397,000
Montana	1,039,000	1.65	55,000
Total Resource	**71,340,000**	**1.35**	**3,087,000**
IN PIT RESERVES **Proven and Probable**			
Main Vein – Libra	23,982,649	1.40	1,077,066
Basalt – Holy Moses	2,624,257	1.60	134,995
Colorado	6,452,650	1.55	320,527
Grandview	2,834,106	1.28	116,420
Montana	505,432	1.75	28,498
Total In-Pit Reserves	**36,399,094**	**1.45**	**1,677,506**

Exploration to date has focussed on the known and previously mined deposits (Figure 2). Further drilling in the immediate mine environment is planned within easy haulage distance of the proposed mill. Beyond the immediate mine area, several deposits and other prospects are already known and will be considered for exploration.

Feasibility Studies

The Company first completed an in-house feasibility study in December 1997. Following infill drilling and subsequent resource calculations in 1998, reserves were calculated at 36.6 million tonnes at 1.45 g/t gold (diluted) for 1,697,000 ounces at a waste:ore strip ratio of 1.89:1. Further mine optimisation and plant engineering studies were conducted during 1998.
The results of these studies were compiled in an addendum to the feasibility study in September 1998 and are summarized in Table 2 below:

TABLE 2

1998 Masbate Feasibility Study Addendum Summary

Reserve (diluted)	1,697,000 ounces of gold in 36.6 Mt @ 1.45 g/t gold
Total resource	3,010,000 ounces of gold in 71.3 Mt @ 1.35 g/t gold
Average annual gold production	146,000 ounces (approximately)
Head grade (diluted)	1.45 g/t gold
Gold recovery	86%
Annual mill throughput	*3.65 million tonnes per year (10,000 tonnes per day)*
Mine life	10 years
Average cash cost of operation (first 5 years)	US$193/oz
Average cash cost of operation (mine life)	US$211/oz
Total capital cost including working capital	US$43.8 million

REVIEW OF OPERATIONS

1999 Review of Feasibility Study

As a result of a detailed review conducted in March 1999, certain of the assumptions upon which the above Feasibility Study Addendum figures are based were questioned, including deposit optimization and some metallurgical aspects. A decision was taken to conduct further studies to validate and refine the Feasibility Study and to effect improvements and cost savings.

Proposed Studies

1. Geology and Resources

A geological re-assessment programme is proposed to re-log the existing diamond drill core and selected RC residues. This work will result in better delineation of ore types, their mineralogy and distribution, and the overall structure of the deposits. A re-interpretation of the geology and the ore outlines utilised in the resource calculations will follow as well as an audit of the parameters utilised in the resource model.

2. Additional Resources

The 3 million ounces of resource quoted above is entirely based on mineralisation delineated in the recent drill programmes and occurs in, or adjacent to, the optimised opencut shells.

Drill programmes have been designed to:

(i) explore for resources to the south of the current Main Vein opencut into the Binstar/Boston area (Figure 2). If successful, this drilling could extend the open pit considerably to the south;

(ii) explore for resource extensions between the Main Vein and Holy Moses Basalt pits which would enable reduced ore haulage costs from the latter pit;

(iii) explore for resource extensions on the Main Vein North Split to possibly extend the Main Vein opencut to the south and facilitate re-location of the mill facility to a more favourable location; and

(iv) test the grade of mineralised waste dumps.

3. Metallurgical Testwork

Lycopodium Pty Ltd of Australia has completed a study of the previous work undertaken on metallurgical recoveries and comminution for the Masbate Project. Lycopodium recommended further testwork, concentrating on the first five years of production, including the following.

(a) Metallurgical recoveries: Full process validation and metallurgical recovery testing is being undertaken to address the following:-

  (i) Sample representivity with respect to the first five years of ore reserves.

  (ii) Multi-element head grade analyses and ore petrology.

  (iii) Testing of optimal grind, cyanide and other reagent addition, leach time, carbon loading and viscosity.

  (iv) Flotation and gravity separation testing.

  (v) Testing of oxygen and/or peroxide addition.

  (vi) Carbon-in-Leach/preg-robbing/optimum leach time assessment.

  (vii) Carbon loading kinetics.

REVIEW OF OPERATIONS

3. *Metallurgical Testwork* (Continued)

These tests have been partly completed on a composite sample representing the first five years of production from Main Vein. Variations in recoveries for areas of Main Vein and the other deposits will also be evaluated.

(b) Comminution: To increase confidence levels in the plant design parameters and, in particular, the ore's suitability for SAG milling, a testwork programme may be proposed.

4. *Pit Optimisation*

On completion of the resource and metallurgical evaluation, new pit optimisations utilising Whittle 4D software to final design stage will be undertaken.

Optimisation runs incorporating inferred resources (not currently utilised in optimisation) will be undertaken to evaluate the total resource within the pit shell. This work may indicate the requirement for further drilling to convert this inferred resource to reserve status.

5. *Value Engineering*

Following completion of the above work, the Company and its consultants will:

(i) re-assess the equipment selection list;

(ii) re-assess the plant design and layout; and

(iii) undertake assessment of a new plant site.

Studies in Progress

1. *Sighter Study*

The Company has commissioned Minproc Limited of Perth, Western Australia to undertake a Sighter Study to optimize the development of the Masbate Deposit within the ECC limits to operate at up to 20,000 tonnes per day or 7 million tonnes per year. The study will firstly develop a conceptual flow sheet from which broad brush capital and operating cost estimates for the complete project can be developed at a range of throughputs.

These results will then be examined in a simple financial model to identify the throughput with respect to Net Present Values and Internal Rates of Return, capital commitment and period of exposure to the gold price cycle.

Work will then focus on the chosen plant size and its associated infrastructure. The accuracy of the capital costs will then be upgraded to conceptual levels.

2. *Metallurgical Testwork*

Metallurgical testwork has been commenced at the laboratory of Ammtec Ltd in Perth, Western Australia primarily to verify the uniform 86% recovery utilized in the 1998 feasibility study for all the various deposits. The deposits are known to all be geologically different with variable silica, calcite, clay and sulphide contents and have varying grades, and on this basis, metallurgical recoveries are expected to vary from the previously used 86% for each deposit.

The testwork involves a master composite sample and a suite variability samples. This work is expected to be completed after the fund raising.

REVIEW OF OPERATIONS

BANAHAW GOLD PROJECT

The Banahaw Project is located in the province of Agusan del Sur on the island of Mindanao and is held under five applications for MPSAs totalling 7,290 hectares. Adverse claims against the applications have to be resolved before the MPSAs can be granted.

Banahaw is an underground mining project with historical production of 59,768 ounces of gold and 61,415 ounces of silver from 1988 to 1991 through the existing 500 tonnes per day carbon in pulp mill. The project has inferred resources of 300,000 tonnes at 8.4g/t gold . The project contains the Co-O Gold Deposit which is a low sulphide, epithermal quartz vein system defined over 900m along strike and largely open at depth. Quartz veins with minor pyrite are hosted by andesite volcaniclastic rocks. The veins are steeply dipping, average 2-3 metres in width and tend to converge and merge at depth.

During production, the mine was developed from an adit on level 150 with stoping undertaking above adit level. *Some diamond drilling was undertaken below the adit level, indicating that the mineralisation continues at depth.*

MAPULA COPPER-GOLD PROJECT

The Mapula copper-gold porphyry project is located in the East Davao Province on Mindanao Island.

Filminera has an option agreement until 4 August 2000 with Apex Mining Corporation (*Apex*) over an MPSA application which covers the Mapula prospect. Approval of the MPSA (558 hectares) has been delayed due to an adverse claim between Apex Mining (the claim owner) and North Davao Mining Corporation (the adjacent tenement holder).

Previous work on the Mapula prospect consisted of approximately 112 diamond drill holes for 15,230 metres of diamond drilling as well as trenching and sampling from eight adits. The mineralisation consists of wide, moderately to steeply dipping stockwork zones in an intrusive porphyry.

SULAT COPPER-GOLD PROJECT

The Sulat project is located on the island of Samar 500 kilometres southeast of Manila. The project is covered by two applications for MPSAs in the name of the Company's subsidiary, Filminera.

Previous exploration has included extensive surface geochemical and geophysical (aeromagnetics, induced polarisation and electromagnetic) surveys, 4,025 metres of diamond drilling and over 500 metres of development (nine adits and two crosscuts from existing drives) for assay and metallurgical purposes. This work outlined massive sulphides containing copper and gold mineralization.

ZAMBALES NICKEL LATERITE PROJECT

The Zambales project is located in the Zambales province on Luzon Island and north west of Manila. The area is held under five Applications for Exploration Permits (*AEP*) covering a total area of 10,206 hectares. Some of the application area is subject to conflicting claims and land use.

The property was originally tested from 1966 to 1980 using close spaced drill holes and shallow test pits. Within the AEPs, the Company has calculated inferred resources of 55.9 million tonnes grading 1.71% nickel and 0.046% cobalt.

REVIEW OF OPERATIONS

RUNRUNO GOLD PROJECT

The Runruno Project is located in north central Luzon and is covered by one AEP. An adverse claim has been filed against part of the AEP application.

The Runruno property is operated by the Company's subsidiary, Filminera, under a Mines Operating Agreement with Fil-Am Resources, Inc ("*Fil-Am*"). In the 1970's Fil-Am drilled 69 holes (7.3 kilometres) and drove 800 metres of underground tunnels and raises outlining a broad zone of stockwork and veinlet gold mineralization in volcanic rocks. Subsequent work included 9 drillholes and 142 test pits.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the Group is the exploration, mining and processing of precious and base metals. Philippine Gold PLC is the parent company and provides management services to the Group.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the financial year, the Group continued to develop its mining and exploration interests in the Philippines. Full details of the review of business and future developments are included in the Chairman's Statement and the Review of Operations on pages 5 to 12.

The Group will continue to undertake its exploration activities in the Philippines in the forthcoming year. Activity will be centred on the development of the Masbate Gold Project.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated profit and loss account on page 18. The loss for the year was £4,851,980 (1998 – loss of £36,625,865).
The Directors do not recommend the payment of a dividend (1998 - £nil).

DIRECTORS

The names of Directors in office at the date of this report are:

Peter George Cordin
Mr Cordin has been a Director since 12 February 1999. Mr Cordin is an engineer experienced in the evaluation, development and operation of resource projects within Australia and overseas.

Mr Cordin was previously managing director of Grants Patch Mining Limited (100,000 oz gold per year production) and was an executive director of Forsayth NL, responsible for all group operations in Australia involving annual production of 320,000 oz from five mines. He has more recently been involved in the development of resource projects in Kazakhstan and New Caledonia.

Mr Cordin is also a Director of Golden Valley Mines NL and Moneo Metals Limited.

Geoffrey John Davis
Mr Davis has been a Director since 5 March 1999. Mr Davis is a geologist with 26 years' experience in Australia, the Philippines and Indonesia. Mr Davis has a B.Sc. (Honours) degree from University of Western Australia, majoring in geology, and an M.Sc. in Mining and Exploration Geology from James Cook University of North Queensland. Mr Davis has had substantial experience in Southeast Asia, specialising in epithermal gold mineralisation.

His experience includes managing major exploration programmes in Indonesia and the Philippines, including project generation. Since 1990, he has successfully managed resource drilling programmes and feasibility studies for several companies in Australia. Mr Davis has been Technical Director of Golden Valley Mines NL since 1996.

DIRECTORS' REPORT

DIRECTORS (Continued)

Kenneth Peter Judge
Mr Judge has been a Director since 12 February 1999. Mr Judge completed degrees in Commerce, Jurisprudence and Law at the University of Western Australia before qualifying as a barrister and solicitor, specialising in international mergers and acquisitions law. Initially Mr Judge was in private practice with one of Perth's leading law firms before joining the Bond Corporation to work on international mergers and acquisitions.

Mr Judge is a resident of Monaco and has lived in Europe for the past 8 years. He is involved in private investment and restructuring resource companies.

Other persons who served as Directors during the year were as follows:

W T Beckwith	(Appointed 12 February 1999 / resigned 8 October 1999)
M C Buckingham	(Resigned 30 April 1999)
S W Holmes	(Appointed 12 February 1999 / resigned 8 October 1999)
J P Horan	(Removed 12 February 1999)
J T Keogh	(Removed 12 February 1999)
F N Lubbock	(Resigned 30 April 1999)
A S Phillips	(Resigned 14 April 1999)

DIRECTORS' INTERESTS

The beneficial interests of the Directors, who held office as at 31 December 1999, in the shares of the Company as at the beginning of the year (or date of appointment if later) and at the end of the year were as follows:

	Ordinary Shares at 31 December 1999	**Ordinary Shares at 1 January 1999 (or date of appointment)**
K P Judge	Nil	Nil
P G Cordin	Nil	Nil
G J Davis	Nil	Nil

The Company instituted a share option scheme on 10 August 1994 under which Directors and employees are able to subscribe for shares in the Company. The number of shares over which the Directors had entitlements as at 31 December 1999 was Nil *(1998: 200,000).*

SHARE CAPITAL

At an Extraordinary General Meeting of the Company, held on 8 December 1999, shareholders approved an increase in the Capital of the Company by £7,500,000 to £15,000,000 divided into 300,000,000 ordinary shares of 5 pence each.

During the year US$140,000 (£90,148) of Convertible Unsecured Loan Notes 2000 were converted into 1,027,705 ordinary shares of 5 pence each. (See Note 17)

Subsequent to the year end, during January and February 2000, a further 5,499,034 ordinary shares of 5 pence each were issued upon conversion of US$427,000 (£274,952) of Convertible Unsecured Loan Notes 2000.

DIRECTORS' REPORT

OTHER SUBSTANTIAL SHAREHOLDINGS

The Company has been notified under Section 198 of the Companies Act 1985 of the following interest in the issued ordinary share capital as at 28 February 2000:

	Ordinary Shares	%
Golden Valley Mines NL	11,810,825	13.11
The Capital Group Companies, Inc.	7,475,700	8.00

As at 28 February 2000, in addition to the shareholders notified to the Company, as above, the Company's Register of Members contained the following interests in 3% or more of the issued share capital:

	Ordinary Shares	%
T Hoare Nominees Acct THNAGT	11,750,456	13.04
Vidacos Nominees Limited Acct FGN	10,590,960	11.76
State Street Nominees Acct HG22	4,953,700	5.50
Runruno Mining Corporation	3,650,000	4.05
T Hoare Nominees Acct THNNOM	3,545,932	3.94
Vidacos Nominees Limited Acct MLPF	3,232,060	3.59

CORPORATE GOVERNANCE

As an AIM listed company, the Company is not technically required to comply with the Principles of Good Governance and Code of Best Practice ("The Combined Code") as applicable to listed companies and set out in the Listing Rules of the London Stock Exchange.

Nevertheless, the Directors support the highest standard of corporate governance and intend that the Company will adopt procedures in line with the recommendations contained in the Combined Code, taking into account the Company's size and stage of development.

The Board will establish when appropriate a Remuneration Committee and an Audit Committee which will have formally delegated duties and responsibilities. Both committees will comprise two non-executive Directors.

PAYMENT POLICY

The Company has a policy of adhering to its suppliers terms of payment. At 31 December 1999 the Company's creditor days outstanding was 265 (1998:156).

AUDITORS

Subsequent to the year end, Deloitte and Touche resigned as the Company's auditor and the Directors appointed KPMG Audit PLC to fill the casual vacancy arising.

A resolution for the reappointment of KPMG Audit Plc as auditor of the Company will be placed before the Annual General Meeting. Special notice has been received by the Company for this resolution pursuant to Section 388 of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board

P M Enoch
Secretary

6 June 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF PHILIPPINE GOLD PLC

We have audited the financial statements on pages 18 - 38.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 16, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty of market conditions and the ongoing support of brokers, investors, shareholders and lenders. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

6 June 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 31 December 1999

	Note	£	1999 £	£	1998 £
TURNOVER	2		147,786		154,455
Exceptional operating income	4(a)		681,037		-
Other operating charges					
- other		(1,142,329)		(3,992,041)	
- exceptional	4(b)	(3,791,523)	(4,933,852)	(32,632,461)	(36,624,502)
OPERATING LOSS	2,4(b)		(4,105,029)		(36,470,047)
Interest receivable	5	1,828		47,137	
Interest payable	6	(748,779)	(746,951)	(202,955)	(155,818)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(4,851,980)		(36,625,865)
Tax on loss on ordinary activities	8		-		-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			(4,851,980)		(36,625,865)
LOSS FOR THE FINANCIAL YEAR	18		(4,851,980)		(36,625,865)
Loss per ordinary share	1		(5.8)p		(45.4)p

All activities derive from continuing operations.

STATEMENT OF TOTAL CONSOLIDATED RECOGNISED GAINS AND LOSSES
Year Ended 31 December 1999

	1999	1998
Loss for the financial year	(4,851,980)	(36,625,865)
Foreign currency translation (losses)/gains	(103,345)	459,264
Total recognised gains and losses for the year	(4,955,325)	(36,166,601)

CONSOLIDATED BALANCE SHEET
As at 31 December 1999

	Note	1999 £	1999 £	1998 £	1998 £
FIXED ASSETS					
Intangible assets	10	4,455,192		5,503,267	
Tangible assets	11	658,536		269,554	
			5,113,728		5,772,821
CURRENT ASSETS					
Stocks	13	25,807		57,956	
Debtors	14	77,265		721,821	
Cash at bank and in hand		35,901		244,194	
		138,973		1,023,971	
CREDITORS					
Amounts falling due within one year	15	(8,830,521)		(2,022,229)	
NET CURRENT LIABILITIES			(8,691,548)		(998,258)
TOTAL ASSETS LESS CURRENT LIABILITIES			(3,577,820)		4,774,563
CREDITORS					
Amounts falling due after one year					
Loan notes	16		-		(3,487,205)
TOTAL NET (LIABILITIES) / ASSETS			(3,577,820)		1,287,358
CAPITAL AND RESERVES					
Called up share capital	17	4,229,144		4,177,759	
Share premium account	18	50,363,354		50,685,976	
Profit and loss account – (deficit)	18	(58,170,318)		(53,576,377)	
TOTAL EQUITY SHAREHOLDERS' FUNDS - DEFICIT	19		(3,577,820)		1,287,358
Equity minority interests			-		-
			(3,577,820)		1,287,358

These financial statements were approved by the Board of Directors on 6 June 2000

Signed on behalf of the Board of Directors

Director
Geoff Davis

Director
Peter Cordin

PARENT COMPANY BALANCE SHEET
As at 31 December 1999

	Note	1999 £	1999 £	1998 £	1998 £
FIXED ASSETS					
Intangible assets	10	-		-	
Investments	12	4,660,598		5,576,531	
			4,660,598		5,576,531
CURRENT ASSETS					
Debtors	14	-		701,859	
Cash at bank and in hand		16,777		70,874	
		16,777		772,733	
CREDITORS					
Amounts falling due within one year	15	(8,255,195)		(1,574,701)	
NET CURRENT LIABILITIES			(8,238,418)		(801,968)
TOTAL ASSETS LESS CURRENT LIABILITIES			(3,577,820)		4,774,563
CREDITORS					
Amounts falling due after one year					
Convertible loan notes	16		-		(3,487,205)
TOTAL NET (LIABILITIES) / ASSETS			(3,577,820)		1,287,358
CAPITAL AND RESERVES					
Called up share capital	17		4,229,144		4,177,759
Share premium account	18		50,363,354		50,685,976
Profit and loss account – (deficit)	18		(58,170,318)		(53,576,377)
TOTAL EQUITY SHAREHOLDERS' FUNDS – DEFICIT	19		(3,577,820)		1,287,358

These financial statements were approved by the Board of Directors on 6 June 2000.

Signed on behalf of the Board of Directors

Director	Director
Geoff Davis	Peter Cordin

CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 December 1999

	Note	1999 £	1999 £	1998 £	1998 £
CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)		(210,383)		(3,415,226)
Returns on investments and servicing of finance					
Interest received		1,828		47,137	
Interest paid		(385,658)		(207,372)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(383,830)		(160,235)
CAPITAL EXPENDITURE					
Purchase of intangible fixed assets		(1,154,981)		(1,646,406)	
Purchase of tangible fixed assets		(18,969)		(123,235)	
Sale proceeds of tangible fixed assets		30,959		81,909	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(1,142,991)		(1,687,732)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(1,737,204)		(5,263,193)
MANAGEMENT OF LIQUID RESOURCES					
Cash withdrawn from deposit			-		3,118,155
FINANCING					
Issue of secured loan notes		4,525,516		2,294,798	
Repayment of secured loan notes		(2,999,780)		(3,038,775)	
Issue of share capital		-		2,800,000	
Expenses on issue of shares		-		(211,661)	
NET CASH INFLOW FROM FINANCING			1,525,736		1,844,362
DECREASE IN CASH FOR THE YEAR			(211,468)		(300,676)

CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 December 1999

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	*1999* £	*1998* £
DECREASE IN CASH FOR THE YEAR		(211,468)	(300,676)
FINANCING			
Cash withdrawn from deposit		-	(3,118,155)
Secured Loan Notes issued		(4,525,516)	(2,294,798)
Secured Loan Notes repaid		2,999,780	3,038,775
Change in net debt resulting from cash flows		(1,737,204)	(2,674,854)
Exchange Rate Movements		(224,650)	65,695
Conversion of Debt into Equity		90,147	3,198
Amortisation of convertible loan note costs		(361,384)	(39,548)
MOVEMENT IN NET DEBT FOR THE YEAR		(2,233,091)	(2,645,509)
NET DEBT AT 1 JANUARY		(3,243,011)	(597,502)
NET DEBT AT 31 DECEMBER	21(b)	(5,476,102)	(3,243,011)

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention
These financial statements are prepared under the historical cost convention.

Going concern

The Group has incurred a loss during the period of £4,851,980 and has a deficiency of working capital of £8,691,548. The accounts have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- On 9 March 2000 the Company entered into a Memorandum of Understanding (*"MoU"*) with Thistle Mining Inc and T Hoare Canaccord whereby the parties agreed to a proposal for a substantial equity issue by the Company to be followed by a merger, by way of scheme of arrangement, between the Company and its secured lender, Thistle Mining Inc.
- Pursuant to the terms of the MoU, T Hoare Canaccord has agreed on a conditional basis and subject to the implementation of the proposed scheme of arrangement to underwrite the placement of CAN$10 million of new shares in the merged entity.
- Subject to court and shareholder approvals the scheme will be effected in accordance with section 425 of the Companies Act 1985.
- Pursuant to the terms of the scheme Thistle will issue the holders of shares in Philippine Gold, one new *Thistle share for every five and a half ordinary shares held in the Company. Upon completion of the* scheme the Company will become a wholly owned subsidiary of Thistle.
- On conclusion of the scheme and underwritten equity issue it is anticipated that the Company will be funded by Thistle to enable settlement of unsecured creditors and to provide working capital for the Company's operations in the Philippines.

Notwithstanding the above the directors have a concern that most of the plans outlined above rely to some degree on the market conditions and ongoing support of brokers, investors, shareholders and lenders. A material adverse outcome in any of these areas may significantly vary the directors' opinion on the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result from a significant variation in the Directors' opinion on the going concern question.

Basis of Consolidation

The Group accounts consolidate the accounts of the Company and its subsidiaries made up to 31 December 1999. Intra group earnings and profits are eliminated on consolidation and all earnings and profit figures relate to external transactions. All companies within the Group prepare their accounts to the same date.

Filminera Resource Corporation *("Filminera")*, formerly Base Metals Minerals Resources Corporation, and Palawan Chrome Corporation (*"PCC"*) have been consolidated on an acquisition accounting basis.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

1. **ACCOUNTING POLICIES** (Continued)

Notwithstanding the Group's 40% equity holdings in these companies, there is considered to be dominant influence exercised over their activities on the basis that Directors of PGO have been appointed by the Company to represent PGO on the executive committees formed by Filminera and PCC which are empowered to manage their affairs.

To the extent that recognition of minority interests in subsidiaries results in an unrecoverable debit balance in the balance sheet, provision is made in full.

Investments

Investments held as fixed assets in the Company's own balance sheet are stated at cost less provision for impairment in value. Other investments included in current assets are stated at the lower of cost and net realisable value.

Foreign currencies

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the consolidated profit and loss account, with the exception of those arising on long-term loans provided to subsidiary companies which are taken directly to reserves.

The financial statements of foreign subsidiaries are translated into sterling at the closing rate of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to consolidated reserves.

Deferred exploration costs and mining rights

Deferred exploration costs and mining rights represents acquisition costs and direct net exploration costs incurred together with an appropriate portion of related overhead expenditure. This expenditure is carried forward in respect of each separate area of interest for which rights of tenure are current only where such costs are expected to be recouped through successful development and economic exploitation of the area of interest.

All expenditure relating to activities in areas which have not yet reached a level which permits an assessment of the existence or otherwise of economically recoverable reserves is expensed as incurred.

If an exploration project is successful, the related expenditure will be amortised over the estimated life of the ore reserves on a unit of production basis, having regard to the remaining period of the mine operating agreements.

Tangible fixed assets

Depreciation on tangible fixed assets is calculated so as to write down the cost of those assets to their estimated residual values by equal instalments over the period of their estimated useful economic lives, which are considered to be:

Plant and equipment	-	5 years
Computer systems and equipment	-	4 years (included within plant and equipment at Note 11)

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

1. **ACCOUNTING POLICIES** (Continued)

Fixtures, fittings and equipment	-	6 years (included within plant and equipment at Note 11)
Office equipment	-	6 years

Where the Directors' assessment of the recoverable amount of an asset is lower than the net written down value, a charge is made to the provision for impairment in value. Fixed assets held for resale are recorded at their recoverable value. Land is not depreciated. Capital work in progress is not depreciated until such time as it is ready for use and transferred to plant and equipment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the invoiced price of the goods supplied and the cost of bringing such goods to their present location and condition.

Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items of income and expenditure for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise. Provision is made only to the extent that, in the opinion of the Directors, there is reasonable probability that the liability will arise in the foreseeable future. Losses available to carry forward and offset against future corporation tax liabilities are taken into account when assessing the level of provision required for deferred taxation. There is no deferred taxation liability brought to account as at 31 December 1999 (1998 - £nil).

Convertible Loan Notes

Convertible loan notes are shown net of unamortised issue costs. At the time of issue the costs are deferred and charged to the share premium account over the life of the notes. Interest is expensed as incurred.

Turnover

Turnover represents the sales value, excluding value added and sales taxes, of goods sold, net of returns.

Loss per Ordinary Share

Loss per ordinary share is calculated on the basis of the net loss for the financial year £4,851,980 (1998: £36,625,865) and the weighted average of ordinary shares on issue during the year of 84,065,307 (1998: 80,553,150).

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

2. TURNOVER AND OPERATING (LOSS)/PROFIT ANALYSIS

Turnover is derived from the principal activity of the Group which is the mining and processing of minerals.

	Turnover		Operating Loss		Net Assets/(Liabilities)	
	1999 £	1998 £	1999 £	1998 £	1999 £	1998 £
	147,786	154,455	(4,105,029)	(36,470,047)	(3,577,820)	1,287,358
	147,786	154,455	(4,105,029)	(36,470,047)	(3,577,820)	1,287,358

Geographical analysis by location:	1999 £	1998 £	1999 £	1998 £	1999 £	1998 £
United Kingdom	-	-	(3,189,096)	-	(8,238,418)	(4,289,173)
Philippines	147,786	154,455	(915,933)	(36,470,047)	4,660,598	5,576,531
	147,786	154,455	(4,105,029)	(36,470,047)	(3,577,820)	1,287,358

3. EMPLOYEES

	1999 No.	1998 No.
Average number of persons employed (including Directors):		
Mining and processing	114	123
Other, including finance and administration	18	68
Total	132	191
Principal locations of employment were:		
Philippines	128	187
United Kingdom	1	3
Australia	3	1
Total	132	191

	1999 £	1998 £
Employment costs (including Directors' remuneration, see Note 7):		
Wages and salaries	811,981	1,187,060
Social security costs	10,605	25,930
Other post retirement costs	-	78,333
Provision for compensation for loss of office	43,385	631,108
	865,971	1,922,431
Less: charged within deferred exploration costs	(275,518)	(261,805)
Charged to profit and loss account	590,543	1,660,626

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

4. OPERATING INCOME AND OPERATING (LOSS) / PROFIT

(a) EXCEPTIONAL OPERATING INCOME

	1999 £	1998 £
Exceptional operating income	681,037	-

In 1998 Phil. Gold Processing & Refining Corporation ("*PGPRC*") entered into Gold Hedging Contracts for deferred delivery of 125,000 oz at an average price of US$298.60. The contracts were closed out on 8 March 1999 with gold supplied at US$289.80 resulting in a profit of US$1,099,875.

(b) OPERATING (LOSS) / PROFIT

	1999 £	1998 £
Operating (loss)/profit is stated after charging:		
Exceptional items - charge	3,791,523	32,632,461
Depreciation	28,630	252,833
Loss on sale of fixed assets	45,923	94,128
Auditors' remuneration	47,773	73,346
Other fees paid to the auditors and their associates	17,250	9,475

Exceptional Items

As a consequence of a reassessment of the carrying values of certain mining interests an amount of £2,231,619 (1998 - £25,017,967) has been written off to the profit and loss account. This amount, representing intangible assets (deferred exploration costs and mining rights) has been written off because in the opinion of the Directors the projects to which the costs relate have not reached a stage where it can be reasonably expected to recover the expenditure through the sale or exploitation of any mineral reserves in existence (see note 1).

An amount of £474,126 has been credited to profit and loss account (1998 - £6,122,332 charged to profit and loss account) as a consequence of a re-assessment of the carrying value of plant and equipment. This amount represents the Directors opinion of the required adjustment to reflect the impairment in value of assets held for use and the amount required to write down surplus plant and equipment to its recoverable value.

An amount of £2,034,031 (1998 - £1,492,162) has been charged to the profit and loss account in providing *for doubtful receivables, inventories and assets held for resale.*

5. INTEREST RECEIVABLE

	1999 £	1998 £
Bank interest receivable	1,828	47,137

6. INTEREST PAYABLE

	1999 £	1998 £
Bank and similar interest payable	5,311	-
Loan notes	743,468	202,955
	748,779	202,955

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

7. DIRECTORS

	1999 £	1998 £
Directors' remuneration		
Emoluments	270,820	594,529
Pension contributions	-	78,333
Provision for compensation for loss of office	43,385	521,539
	314,205	1,194,401

Pension contributions in 1999 relate to payments into personal schemes on behalf of 1 Director. Emoluments include £94,738 (1998 - £12,433) paid to five companies (1998 – 2) with which five Directors (1998 – 2) are associated, in respect to the services of those Directors.

	1999 £	1998 £
Highest paid Director		
Emoluments	46,533	223,814

8. TAX ON LOSS ON ORDINARY ACTIVITIES

There was no tax charge arising from the Company's or the Group's activities for the year ended 31 December 1999 (1998: nil).

There were no amounts provided in respect of deferred taxation at 31 December 1999 (1998: nil).

9. LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF PHILIPPINE GOLD PLC

The Company has taken advantage of s230 of the Companies Act 1985 and consequently no profit and loss account for the Company has been presented as part of these accounts.

	1999 £	1998 £
Loss dealt with in the accounts of the parent company	(4,955,325)	(47,593,716)

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

10. INTANGIBLE FIXED ASSETS

Deferred exploration costs and mining rights

	£
The Company	
Cost:	
At 1 January and 31 December 1999	391,976
Depreciation:	
At 1 January and 31 December 1999	(391,976)
Net Book Value:	
At 1 January and 31 December 1999	-
The Group	
Cost:	
At 1 January 1999	36,643,566
Adjustments for currency translation	184,805
Additions at cost	1,154,981
Tangible fixed asset depreciation (see note 11)	(474,126)
At 31 December 1999	37,509,226
Depreciation:	
At 1 January 1999	(31,140,299)
Adjustments for currency translation	(156,243)
Provision for write down (see note 4(b))	(1,757,492)
At 31 December 1999	(33,054,034)
Net Book Value:	
At 31 December 1999	4,455,192
At 31 December 1998	5,503,267

The recoverability of the carrying value of the above assets is dependent upon the results of the Group's mining operations. Where appropriate, the Group has prepared projections based upon reasonable assumptions with respect to the ore grade, the gold price, the costs of production and the availability of future finance. Based upon these projections and the assumptions the Directors expect that the carrying cost of the mining assets will be recovered in due course through mining operations or other commercial arrangements.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

11. TANGIBLE FIXED ASSETS

The Group	Plant and equipment	Office equipment	Land	Total
	£	£	£	£
Cost:				
At 1 January 1999	6,360,612	152,190	82,612	6,595,414
Adjustment for currency translation	33,822	790	429	35,041
Additions	6,681	-	12,288	18,969
Disposals	(119,649)	(6,768)	-	(126,417)
At 31 December 1999	6,281,466	146,212	95,329	6,523,007
Depreciation:				
At 1 January 1999	(6,179,638)	(146,222)	-	(6,325,860)
Adjustment for currency translation	(32,883)	(759)	-	(33,642)
Depreciation for the year charged to :				
- Deferred exploration costs* (see Note 10)	399,642	74,484	-	474,126
- Profit and loss account	(1,598)		-	(28,630)
Disposals	49,535	(27,032)	-	49,535
At 31 December 1999	(5,764,942)	(99,529)	-	(5,864,471)
Net Book Value:				
At 31 December 1999	516,524	46,683	95,329	658,536
At 31 December 1998	180,974	5,968	82,612	269,554

* Depreciation of tangible fixed assets related to exploration projects is charged to the development costs of those projects to be amortised over the operating life of the relevant project. During the year the relevant carrying values have been reassessed, resulting in a reduction in provisions made in previous years.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

12. INVESTMENTS HELD AS FIXED ASSETS

The Company	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost:			
At 1 January 1999	1,311,035	48,865,338	50,176,373
Additions in year	34,700	858,242	892,942
At 31 December 1999	1,345,735	49,723,580	51,069,315
Provision:			
At 1 January 1999	-	(44,599,842)	(44,599,842)
Provision in year	-	(1,808,875)	(1,808,875)
At 31 December 1999	-	(46,408,717)	(46,408,717)
Net Book Value:			
At 31 December 1999	1,345,735	3,314,863	4,660,598
At 31 December 1998	1,311,035	4,265,496	5,576,531

The Company has provided for the potential non recovery of amounts advanced to its subsidiaries consistent with the Directors' decision to reduce the carrying value of the Group's mining and exploration properties.

Additional information on principal group undertakings is as follows:

	Country of registration or incorporation and operation	Percentage of issued Ordinary shares held by: The Company	Subsidiaries	Nature of business
Filminera Resources Corporation	Philippines	40%	-	Mining
Phil. Gold Processing & Refining Corporation	Philippines	100%	-	Mining
Asian Goldfields (CCM) Limited	England	100%	-	Investment
Palawan Chrome Corporation	Philippines	40%	-	Exploration
Asian Goldfields Ltd	England	100%	-	Dormant
Philippine Gold Canada Inc.	Canada	100%	-	Dormant

Filminera Resource Corporation, formerly Base Metals Mineral Resources Corporation and Palawan Chrome Corporation are considered subsidiaries due to the fact that both companies have formed an executive committee, in which two out of the five members are Directors of Philippine Gold PLC, which is empowered to manage the affairs of these companies. All subsidiary companies are consolidated in the Philippine Gold PLC financial statements.

The above investments are not listed

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

13. STOCKS

The Group	1999 £	1998 £
Consumables	25,807	57,956

14. DEBTORS

Amounts falling due within one year	The Group 1999 £	The Group 1998 £	The Company 1999 £	The Company 1998 £
Trade debtors	458	36,178	-	31,631
Amount due from related parties (see Note 22)	-	656,520	-	656,520
Other debtors and prepayments	76,807	29,123	-	13,708
	77,265	721,821	-	701,859

15. CREDITORS

Amounts falling due within one year	The Group 1999 £	The Group 1998 £	The Company 1999 £	The Company 1998 £
Trade creditors	3,318,518	2,022,229	2,743,192	1,574,701
Loan Notes repayable within 1 year (see Note 16)	5,512,003	-	5,512,003	-
	8,830,521	2,022,229	8,255,195	1,574,701

16. LOAN NOTES

The Group and the Company	1999 £	1999 £	1998 £	1998 £
Thistle Mining Inc Secured Loan Facility		4,330,014		-
US$6 million Convertible Secured Loan Facility	-		2,626,082	
Less: unamortised cost of issue	-	-	(347,956)	2,278,126
10% Convertible Unsecured Loan Notes 2000	1,191,950		1,232,468	
Less: unamortised cost of issue	(9,961)	1,181,989	(23,389)	1,209,079
		5,512,003		3,487,205
Repayable within 12 months (see Note 15)		(5,512,003)		-
		-		3,487,205

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

16. LOAN NOTES (Continued)

(a) Thistle Mining Inc Secured Loan Facility

In March 1999 PGO entered into an Amended and Restated Loan Facility Agreement ("*ARLFA*") with Golden Valley Mines NL ("*GVM*"), which varied certain terms of the original NMR facility (see Note 16 (b) below) and set out the terms of a short term finance facility of up to A$7.5 million ("the Interim Facility") to be provided to PGO.

The purpose of the Interim Facility was to provide funds to discharge the amounts due under the NMR facility, amounting to approximately US$5.1 million (which was further reduced by the proceeds of the close out of gold hedging contracts (refer note 4(a)) and to provide such funds as may be required to meet short-term working capital needs.

The Interim Facility was initially due to be repaid not later than 30 June 1999. GVM confirmed its preparedness, subject to certain conditions, to provide ongoing financial support beyond that date.

Interest is charged at Bank Bill Rate plus 4% (approximately 8.87%), payable monthly in arrears. Any amount unpaid by the due date is capitalised. An establishment fee of A$450,000 was paid. The Interim Facility provides that loan administration fees may also be charged at commercial rates. The Interim Facility is secured by a first ranking fixed and floating charge and other securities in the same form as the securities granted under the NMR facility.

The Interim Facility was assigned from GVM to Thistle Mining Inc ("*Thistle*") on 27 October 1999. The Company and Thistle entered into a deed to amend certain provisions of the ARLFA. In consideration for Thistle agreeing to extend the repayment date to 31 December 1999 (or such later date as the parties may agree in writing) and increase the facility limit to A$10.4 million the Company granted Thistle the right, subject to shareholder approval, to convert the amount outstanding into ordinary shares at a price of five pence each.

On 8 December 1999 shareholders in general meeting approved an increase in the Company's Authorised Capital to 300 million ordinary shares of five pence each and approved other resolutions to give effect to the conversion rights granted to Thistle.

As it is the Company's intention to repay the Interim Facility within the next 12 months, the Interim Facility has been classified as a current liability.

(b) US$6,000,000 Convertible Secured Loan Facility

On 16 October 1998 the Company entered into a US$6,000,000 Convertible Loan Facility Agreement with NM Rothschild & Sons (Australia) Limited ("*NMR*") and Resource Capital Fund LP ("*RCF*").

The loan was subject to interest at 3% above the LIBOR base rate and was repayable on 30 September 2001. The loan was secured on the Company's shares in, and advances to, its subsidiaries together with the processing agreement between the Company's subsidiaries as well as a first ranking charge over the group assets.

At 31 December 1998, US$4,400,000 of this loan facility had been drawn down. A further US$444,645 of the facility was drawn down on 28 January 1999. The loan outstanding of US$4,844,645 was repaid in full on 8 March 1999, together with an amount of US$220,000 representing accrued interest, costs and a penalty for early repayment.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

16. LOAN NOTES (Continued)

(c) *10% Convertible Unsecured Loan Notes 2000*

US$3 million notes were issued at par for cash on 25 August 1995, repayable on 30 September 2000. The Noteholders are entitled at any time from 18 August 1995 to 15 September 2000 to require conversion into ordinary shares of 5 pence each. The conversion price is reset on 18 August each year to the average trading price of the Company's shares for the 10 trading days prior to that date if the average is less than 80% of the then existing conversion price. The conversion price was reset on 18 August 1999 from 15.1 pence to 5 pence nominal of the notes for 1 ordinary share. The Company may require the Noteholders to convert at any time after 18 August 1998, in the event that the price of the ordinary shares on the Alternative Investment Market (*"AIM"*) exceeds 140% of the conversion price for a continuous period of two months.
For the purposes of conversion the nominal value of the Note shall be converted into Sterling at the rate of £1 to US$1.553. During 1999, US$140,000 nominal value of Notes were converted into 1,027,705 ordinary shares of 5 pence each (see Note 17).

Subsequent to year end, a further US$427,000 (£274,952) nominal value of notes were converted into 5,499,034 ordinary shares of 5 pence each (see Notes 17 and 24).

As the maturity date of the Loan Notes is now less than 12 months, they have been reclassified as a current liability.

17. PAID UP SHARE CAPITAL

Authorised:	**1999**	**1998**
	£	**£**
300,000,000 ordinary shares of 5 pence each (1998 - 150,000,000)	15,000,000	7,500,000
Called up, issued and fully paid		
At 1 January 1999, 83,555,176 ordinary shares of 5 pence each) (1998 - 67,533,855)	4,177,759	3,376,694
Issue of 1,027,705 ordinary shares of 5 pence each (1998 – 16,021,321)	51,385	801,065
At 31 December 1999, 84,582,881 ordinary shares of 5p each (1998 - 83,555,176)	4,229,144	4,177,759

At an Extraordinary General Meeting of the Company, held on 3 December 1999, shareholders approved an increase in the Capital of the Company by £7,500,000 to £15,000,000 divided into 300,000,000 ordinary shares of 5 pence each.

In February 1999, US$30,000 (£19,317) of Convertible Unsecured Loan Notes 2000 were converted into 127,930 ordinary shares of 5 pence.

In March 1999, US$60,000 (£38,635) of Convertible Unsecured Loan Notes 2000 were converted into 255,860 ordinary shares of 5 pence.

In August 1999, US$50,000 (£32,196) of Convertible Unsecured Loan Notes 2000 were converted into 643,915 ordinary shares of 5 pence.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

18. STATEMENT OF MOVEMENTS IN RESERVES

The Group	Share Premium Account £	Profit And loss Account £
Balance at 1 January 1999	50,685,976	(53,576,377)
Loss for the year	-	(4,851,980)
Issue of new ordinary shares (see Note 17)	38,762	-
Amortisation of cost of issuing loan notes	(361,384)	361,384
Foreign currency translation difference	-	(103,345)
Balance at 31 December 1999	50,363,354	(58,170,318)

The Company	Share Premium Account £	Profit And loss Account £
Balance at 1 January 1999	50,685,976	(53,576,377)
Retained loss for the year	-	(4,955,325)
Issue of new ordinary shares (see Note 17)	38,762	-
Amortisation of cost of issuing loan notes	(361,384)	361,384
Balance at 31 December 1999	50,363,354	(58,170,318)

19. RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group		The Company	
	1999 £	1998 £	1999 £	1998 £
Total recognised gains and losses for the year	(4,955,325)	(36,166,601)	(4,955,325)	(47,593,716)
Shares issued on conversion of loan notes	90,147	3,196	90,147	3,196
New share capital subscribed (net of expenses)	-	2,588,340	-	2,588,340
Opening shareholders' funds	1,287,358	34,862,423	1,287,358	46,289,538
Closing shareholders' funds (deficit)	(3,577,820)	1,287,358	(3,577,820)	1,287,358

20. OPERATING LEASE COMMITMENTS

At 31 December 1999, the Group was not committed to making any significant payments during the next year in respect of operating leases (1998 - £nil).

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

21. ADDITIONAL INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF GROUP OPERATING LOSS TO NET CASH OUTFLOW

	1999 £	1998 £
Operating loss	(4,105,029)	(36,470,047)
Depreciation	28,630	252,833
Loss on sale of fixed assets	45,923	94,128
	(4,030,476)	(36,123,086)
Decrease in stocks		232,961
Increase in debtors	(427,034)	(1,481,726)
Increase in creditors	352,259	1,293,719
Assets written off	3,791,523	32,632,461
Foreign currency movement	103,345	30,445
Net cash outflow from operating activities	(210,383)	(3,415,226)

(b) ANALYSIS OF NET DEBT

	At 1 January 1999 £	Cash flow £	Exchange Movement £	Conversion to shares £	Other Non-cash Movement £	At 31 December 1999 £
Cash at bank	244,194	(211,468)	3,175	-	-	35,901
	244,194	(211,468)	3,175	-	-	35,901
Convertible unsecured loan notes	(1,209,079)	-	(49,629)	90,147	(13,428)	(1,181,989)
Convertible secured loan notes	(2,278,126)	2,730,298	(104,216)	-	(347,956)	-
Thistle Mining Inc secured loan notes	-	(4,256,034)	(73,980)	-	-	(4,330,014)
	(3,243,011)	(1,737,204)	(224,650)	90,147	(361,384)	(5,476,102)

22. RELATED PARTY TRANSACTIONS

Consulting fees were paid to entities related to the following directors for services during the year.

A Phillips	£19,496
P Cordin	£25,513
G Davis	£20,564
W Beckwith	£28,206

Under the terms of the Amended and Restated Loan Facility Agreement entered into between PGO and GVM in March 1999, GVM had until the date of its assignment to Thistle (see note 16(a) advanced £3,864,120 to PGO.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

22. RELATED PARTY TRANSACTIONS (Continued)

In December 1997, the Company *("PGO")* entered into the Masbate Debt for Equity Swap Agreement *("MDESA")* with Minoro Mining & Exploration Corporation *("Minoro")*. Minoro and PGO are related parties, in that at the time of entering into that agreement F N Lubbock and M Buckingham were both Directors of PGO and Minoro.

Under the terms of the MDESA, Minoro assumed the liability of PGO to pay the balance of the purchase price in the sum of approximately US$6.1 million, due to Atlas Consolidated Mining and Development Corporation *("Atlas")* arising from the purchase of the Masbate Project. In return, PGO issued 14,802,825 ordinary shares of 5 pence each at an issue price of 25 pence which represented a premium of 61% over the mid market price of the shares at that time.

A total of 6,628,882 shares were issued and released to Minoro after it satisfied its obligation by ensuring transfer of unencumbered titles on the Masbate Project to PGO. The balance of 8,173,943 shares were issued but remained in escrow (the "*Escrow Shares*") pending Minoro's satisfactory completion of certain other obligations under the terms of the MDESA.

During 1998 the Company and Minoro became involved in a dispute concerning Minoro's obligations under the MDESA. Minoro claimed that due to delays in issuing the aforementioned shares and the subsequent suspension in quotation of the Company's securities on the Alternative Investment Market of the London Stock Exchange *("AIM")* they were prevented from obtaining the full economic benefit of the consideration received pursuant to the MDESA.

On 14 May 1999 the Company, Minoro, Base Metals Mineral Resources Corporation *("BMMRC")*, Tierra Adorada Realty Corp *("Tierra")* and Messrs F N Lubbock and M Buckingham entered into the MDESA Extension Agreement wherein Minoro agreed to pay to the Company the sum of US$928,249 with a further sum of US$171,751 due and payable on 31 December 1999. The agreement provided for Minoro to be granted an extension of time to 31 December 1999 to discharge in full and/or reimburse BMMRC for the Atlas liabilities assumed by Minoro under the MDESA. In the event that Minoro failed to discharge in full, and/or reimburse BMMRC in full the Atlas liabilities, then it was further agreed under the MDESA Extension Agreement that the Company should be free to dispose of the Escrow Shares and apply the proceeds in satisfaction of any amounts owing by Minoro.

The sum of £554,013 was paid to the Company by Minoro during the year pursuant to the terms of the MDESA Extension Agreement. Minoro did not however discharge in full (or reimburse the Company) the outstanding Atlas liabilities or pay the sum of US$171,751 to the Company by 31 December 1999 as contemplated in the MDESA Extension Agreement. Accordingly, the Company became entitled to dispose of the Escrow Shares and retain the proceeds from any sale. Subsequent to year end the Company disposed of the Escrow Shares (see Note 24).

At an Extraordinary General Meeting of PGO held on 12 February 1999, Messrs W T Beckwith, S Holmes, K P Judge and P G Cordin were appointed Directors of PGO. Messrs W T Beckwith and P G Cordin were directors of Golden Valley Mines NL *("GVM")*. Mr G Davis, also a director of GVM, was appointed a Director of PGO on 5 March 1999. Messrs W T Beckwith and S W Holmes resigned as Directors of PGO on 8 October 1999.

On 5 March 1999, as set out in Note 16, GVM entered into an agreement with PGO whereby the Convertible Secured Loan Facility from N M Rothschild & Sons (Australia) Limited ("*NMR*") and Resources Capital Fund LP ("*RCF*") to PG PLC was repaid and replaced by an Interim Facility to PG PLC provided by GVM.

The Interim Facility was assigned to Thistle Mining Inc on 27 October 1999.

NOTES TO THE ACCOUNTS
Year Ended 31 December 1999

23. FINANCING ARRANGEMENTS

As described more fully at Note 16 the Company entered into an Interim Finance Facility with GVM on 5 March 1999 to enable the Company to discharge the Convertible Loan Facility agreement with NMR and RCF. Under the terms of the Interim Facility, GVM also advanced funds to meet the Company's ongoing working capital requirements.

GVM assigned all of its rights and obligations under the Interim Facility to Thistle Mining Inc on 27 October 1999.

24. SUBSEQUENT EVENTS

During January and February 2000, US$427,000 (£274,952) of Convertible Unsecured Loan Notes 2000 were converted into 5,499,034 ordinary shares of 5 pence each.

In February 2000 the Company exercised its rights under the terms of the MDESA Extension Agreement and sold all the Escrow Shares (8,173,943 shares) as a result of Minoro's failure to fulfil its obligations under the Agreement. The proceeds of the sale, after brokerage, were £394,000.

An amount of US$171,751 which was due and payable on 31 December 1999 by Minoro has been provided for as a doubtful debt in the financial statements.

On 9 March 2000 the Company announced that it has signed a Memorandum of Understanding with Thistle Mining Inc. ("Thistle") for PGO and Thistle to merge by way of a Scheme of Arrangement ("Scheme") under section 425 of the Companies Act 1985.

The proposed Scheme, which is subject to Court and shareholder approval, will entail PGO shareholders receiving one (1) Thistle share for every five and a half (5.5) PGO shares they hold. Thistle, which is listed on the Toronto Stock Exchange (code: THT), intends to apply to have its shares also listed on the *Alternative Investment Market of the London Stock Exchange (AIM).*

The Memorandum of Understanding provides that T. Hoare Canaccord will underwrite a placement of approximately £4.35 million of new shares of PGO at 5.5 pence per share to raise additional capital for the enlarged Company, subject to the Scheme being completed and certain other conditions. Upon completion of the Scheme, these shares will also be converted into Thistle shares at a ratio of one (1) Thistle share for every five and a half (5.5) PGO shares held, in accordance with the Scheme of Arrangement.

Thistle also agreed to provide additional interim funding during the period required to implement the Scheme. In accordance with section 425 of the Companies Act 1985 an explanatory statement will be issued to shareholders providing information on the proposed Scheme, Thistle's interest in the Scheme and relationship with PGO, the terms of the proposal and the Directors' recommendations in respect of the offer.